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MEMORANDUM

TO: State Agencies
FROM: OA/Division of Accounting
DATE: November 5, 2002
RE: Corrections for Fixed Assets

As many agencies are dealing with annual audits and the reconciliation of the General Ledger to the Fixed Asset Subsystem, we are providing a guide to assist agencies in correcting the systems based on different types of errors that may have occurred. This will also be found within the fixed asset policies and procedures when the updated policies and procedures are posted.

Be aware that these are only examples and that each error found should be analyzed on a transaction by transaction basis. If an error found cannot be corrected given these examples, please contact Pat Freeman @ 751-9401 or Lynn Cannon @ 751-1899 for assistance, but please make sure to have all relevant information (payment voucher number, posting date, fixed asset number, etc.) available to answer specific questions that may be asked. The answers to the questions will determine how the transaction needs to be corrected.

Correcting Fixed Asset Transactions

When working with fixed assets, errors can occur. To help prevent these errors, it is important to remember these things:

- ♦ **Stay on top of fixed assets—at least once a month, be sure Fixed Asset documents have been entered for all Payment Vouchers documents processed, and the subsystem is reconciled to the general ledger.**
- ♦ **Communication between purchasing, payment, and fixed asset personnel is a MUST.**
- ♦ **Workflow rules must be in place to alert fixed asset personnel of fixed asset documents pending on the SUSF file.**
- ♦ **MUST have basic accounting knowledge.**
- ♦ **Must have knowledge of SAM II functionality concerning posting of fixed asset transactions.**

When errors do occur, in order to make corrections for fixed asset transactions, it is important to understand the entries that are made automatically by the system.

From the PV document when the FA type field is entered:

DR: (Account type 23, Expenditure), Fixed asset object code, balance sheet account

CR: (Account type 01) Cash

A fixed asset document (shell) is also created and placed on the suspense file.

No general ledger entries are made from FA or FC documents.

From the Special Depreciation Job:

DR: (Account type 03) Prior Period Retained Earnings (Balance Sheet 3265)

CR: (Account type 11) Accumulated Depreciation (Balance Sheet 1801 through 1840)

From the Monthly Depreciation Job (F1 entries):

DR: (Account type 24) Depreciation Expense (Object Code 2952)

CR: (Account type 11) Accumulated Depreciation (Balance Sheet 1801 through 1840)

From the FD documents:

1. DR: (Account type 24) Depreciation Expense (Object Code 2952)

CR: (Account type 11) Accumulated Depreciation (Bal. Sheet 1801 through 1840)

This entry calculates and posts depreciation from the date of the last depreciation monthly run to the date of the disposition based on a 365 $\frac{1}{4}$ day year.

2. DR: (Account type 11) Accumulated Depreciation (Removes all accumulated depreciation including amount from Number 1 above.)

DR: (Account type 31) Sale of Fixed Assets for amount entered in selling price field (Revenue source 1328 as a negative)

CR: (Account type 01) Asset (Balance Sheet account based on fixed asset type)

DR/CR: (Account type 24) Loss/Gain on Sale of Fixed Assets (Object code 2954, a debit if a loss, a credit if a gain)

The gain or loss is calculated as any remaining amount that is needed to make the entry balance.

Following are some examples of errors that can occur, and the proper treatment for corrections.

Examples 1 and 2 deal with using the wrong object code.

Example 3 deals with using a wrong fund.

Example 4 deals with using a wrong fixed asset type.

Example 5 deals with using a wrong fixed asset number.

Example 6 deals with correcting multiple equity accounts.

Example 7 deals with donated assets.

Example 8 deals with trades.

Example #1— Purchased an item using a non-fixed asset object code. Later determined fixed asset object code should have been used.

Questions to ask:

1. Is it still the same fiscal year as original posting of the payment voucher (PV)?

#1A

Yes—Same fiscal year

Process a JV with “EX” prefix

DR: (23) Expenditure (Using balance sheet account and FA object code)

CR: (22) Expense/Expenditure (Using original accounting distribution)

#1B

No—Different fiscal year

Process a JV with “PYE” prefix

DR: (01) Asset

CR: (03) Prior Year Retained Earnings (B.S. 3265)

Description field should contain document number being corrected.

Manually create Fixed Asset Acquisition (FA) document, making sure to put original PV# in Reference Document Field and process.

Example #2— Equipment purchased using a FA object code, but item should have been expensed.

Questions to ask:

1. Has a FA document been processed?
2. Still same fiscal year as original posting of payment voucher?
3. Has a depreciation cycle run?

#2A

Answer:

1. No—FA document has not been processed.
2. Yes—Same fiscal year.
3. NA—No depreciation cycle, since no FA document.

Solution:

Process a JV with “EX” prefix

DR: (22) Expense/Expenditure (No Balance Sheet account and correct object code)

CR: (23) Expenditure (Same accounting distribution as original PV document)

This will remove the amount from the balance sheet account on the general ledger and will be treated as expensed.

#2B

Answer:

1. No—FA document has not been processed.
2. No—It is a different fiscal year.
3. NA—No depreciation cycle, since no FA document.

Solution:

Process a JV document with a “PYE” prefix

DR: (03) Prior Year Retained Earnings (B.S. 3265)

CR: (01) Asset (Equipment, etc.)

This will remove the asset amount from the balance sheet account and the retained earnings, leaving it being treated as expensed in the fund financial statements.

#2C

Answer:

1. Yes—FA document has been processed.
2. Yes—Same fiscal year.
3. No—Depreciation cycle has not run.

Solution:

Process a JV using the same debits and credits as example #2A. Then process a new Fixed Asset Acquisition (FA) document. Complete with original fixed asset number, fixed asset type, transaction date, and accounting period. Mark the CANCELLATION radio button and process.

This will remove the FA from the subsystem and the appropriate tables within.

#2D

Answer:

1. Yes—FA document has been processed.
2. Yes—Same fiscal year.
3. Yes—Depreciation cycle has been run.

Solution:

Process a Fixed Asset Disposition Document (FD) document. Use disposition method “E” for error. When the FD document is processed, the SAM II system will make the following entries:

DR: (24) Depreciation Expense (up to the date of disposition)

CR: (11) Accumulated Depreciation

DR: (31) Sale of Fixed Assets (Revenue Source 1328 for selling price entered)

DR: (11) Accumulated Depreciation

CR: (01) Asset

DR/CR: (24) Loss/Gain (Object 2954 for the difference)

NOTE: Prior to FY03, this would have been revenue source code 1340.

Will need to reverse the FD posting.

Process a JV with a “FA” prefix.

DR: (01) Asset

CR/DR: (24) Loss/Gain

CR: (24) Depreciation Expense

Accumulated depreciation is already zero.

Then process a JV using the same DR/CR as #2A.

#2E

Answer:

1. Yes—FA document has been processed.
2. No—It is a different fiscal year.
3. Yes—Depreciation cycle has been run.

Solution:

Process FD document. (Accounting entries same as previous example.)

Process a JV with a "PYEFA" prefix.

DR: (03) Prior Year Retained Earnings

CR: (24) Depreciation Expense (Current year portion only)

CR/DR: (24) Loss/Gain

FD already zeroed out the (01) asset and (11) accumulated depreciation.

Example #3— Purchased equipment for \$2,000 from fund 0101 (Processed correctly on PV). When entering FA document, fund 0104 was used.

Journal entry process by PV for fund 0101.

DR: (23) Expenditure (B.S. 1709)

CR: (01) Cash

Fixed asset subsystem does not allow for changes of FA #, FA type, or Fund # on a FC document.

Questions to ask:

1. Depreciation cycle run?
2. Same Fiscal Year?

#3A

Answer:

1. No—Depreciation cycle has not run.
2. NA—If depreciation cycle has not been run, fiscal year does not matter since cancellation can be done.

Solution:

Process FA Cancellation **IMMEDIATELY** for fund 0104.

Process a new FA document into subsystem using fund 0101.

#3B

Answer:

1. Yes—Depreciation cycle has run.
2. Yes—It is the same fiscal year.

Solution:

Process FD document with zero selling price and a JV with a “FA” prefix for Fund 0104 to reverse the FD transaction made to the general ledger

DR: (01) Asset	\$2,000	
CR: (24) Loss		(\$1,950)
CR: (24) Depreciation Expense		(50)

Process a new FA document into subsystem using Fund 0101.

#3C

Answer:

1. Yes—Depreciation cycle has run
2. No—It is a different fiscal year.

FD is processed in a different fiscal year.

Solution:

Process a JV with “PYFA” prefix for fund 0104.

DR: (01) Asset	\$2,000	
CR: (24) Loss		(\$1,900)
CR: (24) Depr. Exp. (current fiscal year amount)		(50)
CR: (23) Prior Year Ret. Earnings		(50)

Process a new FA document into subsystem using fund 0101.

Example #4—PV was processed to purchase equipment (1709) from fund 0101. The FA used fund 0101, but the type for vehicle (1712).

#4A—Same fiscal year.

Process FD Document.

Process JV document with “FA” prefix to reverse the entry posted by the FD document.

DR: (01) Asset (1712)	
CR: (24) Loss	
CR: (24) Depreciation Expense	

Enter new FA document using correct fixed asset type.

#4B—Different fiscal year.

Process FD Document.

Process JV document with “FA” prefix to reverse the entry posted by the FD document.

DR: (01) Asset (1712)

CR: (24) Depreciation Expense (Current fiscal year only)

CR: (03) Prior Period Retained Earnings (Previous years’ depr. expense)

CR: (24) Loss

Enter new FA using correct fixed asset type.

Example #5— A PV was processed for fund 0101 in May for \$2,000. Balance sheet 1709 entered correctly. Fixed Asset fund 0101 entered correctly, type E (1709) entered correctly, Fixed Asset Number wrong.

#5A—Same fiscal year

Process FD with zero selling price.

System entries:

A) Payment Voucher (PV):

DR: (23) Expenditures (B.S. 1709)	2,000	
CR: (01) Cash		(2,000)

B) Depreciation cycle:

DR: (24) Depreciation Expense	100	
CR: (11) Accumulated Depreciation		(100)

C) Fixed Asset Disposition:

DR: (24) Depreciation Expense	50	
CR: (11) Accumulated Depreciation		(50)
DR: (11) Accumulated Depreciation	150	
DR: (24) Loss	1,850	
CR: (01) Asset		(2,000)

Agency entry:

Process Journal Voucher with “FA” prefix to reverse the entry posted by the FD document:.

DR: (01) Asset	2,000	
CR: (24) Depr. Expense		(150)
CR: (24) Loss		(1,850)

Process a new FA with correct fixed asset number.

#5B—Different fiscal year.**System entries same as above****Agency entry:**

Process a Journal Voucher with a “PYFA” prefix

DR: (01) Asset	2,000	
CR: (24) Depreciation. Expense (current fiscal year only)		(50)
CR: (24) Loss		(1,800)
CR: (03) Prior Period Retained Earnings (B.S. 3265)		(150)

Process a new FA document with correct fixed asset number.

Example #6— A fixed asset was purchased using multiple equity accounts. The Payment Voucher was processed correctly, but only one FA was done for the total using multiple equity accounts on the equity distribution tab. In order to separate these into the correct funds, do the following:

In the current fiscal year:

Depreciation cycle has run.

Process a FC to change the depreciation method to NA. This will prevent further depreciation from posting. Do a print screen of FAS1 & 2 or FBT1 & 2 for further reference.

Process a FD to dispose of the asset. The system will debit accumulated depreciation, credit asset, debit loss/gain for the net book value (difference of asset value and accumulated depreciation) for the fund shown as the responsible fund.

Process new FA documents to enter the asset to the appropriate funds based on amounts paid on payment voucher.

Do a JV with a “FA” prefix for the responsible fund to reverse the entry made from the disposition:

DR: (01) Asset	
CR: (24) Loss/Gain for amount of net book value from screen print (Object code 2954)	
CR: (24) Depreciation Expense (Object code 2952)	

When the monthly depreciation job runs again, the depreciation (expense and accumulated) will be restored to their appropriate balances in each fund and the appropriate tables will be updated.

#8B

Assume a selling price of \$5,000 was entered.

System entry:

DR: (11) Accumulated Depreciation	7,000	
DR: (31) Sale of Fixed Assets (Revenue Source 1328)	5,000	
CR: (01) Asset		(10,000)
CR: (24) Loss (Object 2954)		(2,000)

Process JV with "FA" prefix to record asset to general ledger.

DR: (01) Asset	5,000	
DR: (24) Loss (2954)	2,000	
CR: (31) Sale of Fixed Asset (Revenue Source 1328)		(5,000)
CR: (24) Gain on Sale (Revenue Source1340)		(2,000)